

Financial Assistance Council

January 5, 2005

In Attendance: Dave Campbell, Nancy Aldrich, Bob Hirsch, Ed Thorpe, Dave Peeler, Dan Steinborn, Chris Castner (EPA-SRF), Rick Blair, John Dohrmann, Brian Howard, Dan Filip, Sandi Boughton, Kimberly Ott (USDA), Mark Curtis, Ron Shavlik, John Daly

1. Meeting Agenda Overview and Introductions – Stephen Bernath
 - Introductions around the Table
 - Introduce New Members
2. Actions Taken to Fill Vacancies and Augment Representation on the Council – Dan Filip
 - Nancy Aldrich is the new representative from the city of Richland
 - Rick Blair is the new small cities representative from the city of Sedro Woolley
 - John Dohrmann is the new member from the Puget Sound Action Team
 - Mark Curtis is the new eastside Conservation District representative
 - Carla Pizzano is the new westside Conservation District representative (unable to be here)
3. Overview of Governor Locke's 2005-07 Biennial Budget – Jeff Nejedly (*Handouts*)
 - Additional Funds Proposed: Request for \$5 Million for Phase II Stormwater Permit Infrastructure
 - i. This is from the Toxics Account (there is a lot of new money there to fund this)
 - ii. To alleviate burden on towns affected by Phase 2
 - iii. Keeps the monies outside of the Centennial Clean Water Fund
 - The WQ Account historically used to supplement other programs, so we are trying to keep CCW funds
4. SRF Congressional Action and Subsequent Effects on Washington State – Brian Howard (*Handout*)
 - SRF Funds Available FY 2005 vs. FY 2006
 - Impact on Funds Available for FY 2006
 - i. 18% Capitalization Grant Reduction from FY 2005
 - ii. 18% Match Reduction from FY 2005
 - iii. 18% Administration Reduction from FY 2005
 - The SRF is a dedicated account, so we expect offer \$68.1 million this year to highest priority projects on the Draft List
 - The SRF Loan Fund has been growing
 - i. We banked Admin. Funds in the beginning
 - ii. As the Fund has grown, so have Admin. costs
 - iii. We may be able to use a portion of the Match funds for Admin. costs
 - Long-term health of the Fund is being studied
 - i. An economist is being contracted with to research ways to ensure the perpetuity of the Fund
 - ii. It's nearly self-sustaining right now, as much is funded by repayments already
 - iii. However, much of the sustainability may be eroded by inflation
 - iv. Other states have looked at loan origination fees for monies to pay for administration
5. FY 2006 Funding Cycle Update, Schedule, and Preliminary Draft Priority List – Jeff Nejedly
 - Draft Priority List handed out
 - i. Lists applicants for the FY 06 Funding Cycle
 - ii. Applicants are rated and ranked in priority order according to score
 - List Categories Include
 - i. Rank Order (Water Quality priority)
 - ii. Applicant Name
 - iii. Project Title
 - iv. Funds Proposed
 - v. Funding Source (one rating and ranking cycle for all three funding sources)
 - Facilities are loan only
 - i. unless hardship monies are requested
 - ii. then they'll get an SRF loan and a CCWF hardship grant
 - The Draft Priority List is going to the Legislative Committee chairs who are in charge of the budget
 - ii. This will hopefully make a difference in the way legislators make budget decisions
 - It will then go to the Office of Financial Management (OFM)
 - After this List goes through the Legislature and OFM, and once the budget is ready in mid-to-late April, the usual Draft List will be issued in June

- iii. There will then be a Public Meeting and 30-day comment period
- iv. The Final Offer List will go out in August; applicants will be notified via Program Manager letter

6. Update on SRF Interest Rate Study – Brian Howard

- We are hiring an economist (Alan Dashen) to study the perpetuity of the Fund
 - i. We need to keep the fund as robust as possible
 - ii. We need to be charging interest rates strong enough to keep up with inflation
 - iii. 10-year average of the Building Cost Index may be an indicator of construction inflation (Dan Steinborn)
 - iv. If we meet perpetuity criteria, we're fine – if not, then we may need to make a change(s)
 - v. The yield and the cash balances have dropped in this past year overall
- We will ask him to also analyze
 - i. How much would we need to increase our interest rates to keep up with inflation
 - ii. Possibly will need to increase the rates for this next funding cycle (FY 07)
 - iii. What types of fees would we need to generate approximately \$1 mil. in admin. fees/year (needed as federal capitalization ends)
 - 1. Loan generation fee (based on the amount of the loan)
 - 2. Flat fee
 - 3. Other
- Considerations
 - i. The Community Trade and Economic Development's Public Works Board (PWB) offers essentially the same interest rate with generally fewer restrictions
 - ii. The PWB receives Legislative Appropriations each year and have more flexibility in funding projects
 - iii. They can give up to 90% upfront money, but we do cost reimbursement; however,
 - iv. PWB recipients must begin to pay off loans immediately; we have a one-year grace period
- Consideration of Discussing/Coordinating with the Public Works Board
 - i. They are considering giving loans at 0% interest
 - ii. SRF Capitalization grants bring certain requirements for recipients
- It simply costs us more to administer SRF

7. Update and Emerging Issues on Alternative Contracting (e.g., Design/Build) – Dan Filip/Brian Howard

- In 2003 we completed a pilot rule to allow for Alternative Contracting , e.g. "Design/Build"
 - i. Most of our facilities or infrastructure are constructed based on the entire design having been completed, however,
 - ii. There may be efficiencies that may be gained by doing the design, then constructing a portion of the project while other components are being designed
 - 1. Two plants under the pilot rule are proceeding with the design/build process
 - 2. The Water Quality Program wants to determine whether this type of process is more cost-effective
 - iii. Once a local government receives an loan offer under the pilot rule, the government is given a rank at top of list for subsequent funding cycles
 - iv. The problem comes in when the costs increase and the projects are delayed
 - 1. i.e., city of Tacoma at the lower interest rate would adversely affect the perpetuity of the fund (the amount that they originally requested is now only half the entire cost)
 - a. We could charge higher rates for the additional monies needed to complete their projects
 - 2. The Spokane County Wastewater Treatment Plant project is now at a standstill pending a revised facilities plan to address the TMDL in that area
 - a. In order to be permitted Spokane County must meet the requirements of the TMDL
 - b. Runs into issues w/ water rights (if the County cannot discharge into the Spokane River then River flows will be lower)
 - 3. Conclusion: Design/Build brings with it certain risks
 - a. Large portions of the SRF are being obligated
 - b. Over time, more design/builds could hamper small communities from getting SRF loans
 - c. Ecology needs to consider whether there are enough benefits and how to structure agreements in the future
 - 4. Some issues regarding alternative contracting:
 - a. What is the level of interest statewide?
 - b. How show we proceed with the pilot rule

- c. After a representative set of projects are completed the Ecology could retain the rule with relatively few modifications, revise, Ecology may decide not to proceed with formal rulemaking regarding subsequent projects
- d. The recipients must do a cost analysis as they go to help Ecology with the decision

Staff will return at a future meeting to give their determination on the effectiveness and the future of the design/build pilot program

Lunch Break – 11:45 to 12:40

8. Phase 2 Stormwater Grant Update – Need for Special Work Group – Bill Moore
 - Permits will be issued in the latter part of 2005
 - People are in various stages of being able to meet the requirements of the permit
 - Have requested \$5 million for Phase II communities
 - i. Come up with criteria for distributing money
 - ii. Would rather not have to address rule-making for distribution of this money
 - iii. More useful for the smaller communities that do not have programs in place
 - Work group is needed to address this
 - i. To whom should the money go? Special purpose districts? ...ports?
 - ii. EPA set the criteria of who is in and who is out of the jurisdiction of these permits
 - iii. Criteria will not become final until permits are issued
 - iv. List of communities is available on the web site – 110 Phase 2 communities
 - v. Another group tentatively determined as being “out” of jurisdiction
 - Considerations
 - i. The communities will need to pay for the program themselves anyway
 - ii. The money provided for hardship communities would act as “seed money”
 - iii. This would serve as a great benefit to smaller communities
 - iv. Brian asked how many of these communities do not have a utility in place
 - v. The answer is unsure – Don G. has done a more in-depth study on this
 - vi. The \$5 mil. divided by 110 communities do not provide a lot of money per community
 - vii. Would it be 100% grant money or would there be match (in-kind)?
 - viii. It would be harder for communities to come up with matching funds
 - ix. Could money be distributed based on amount of rainfall? (John D. :))
 - Dave – Do we have a model program that small communities could use to get started?
 - i. Bill – Yes, we do.
 - ii. Many of the smaller local governments are unable to complete stormwater planning due to funds
 - iii. Need to develop funding alternatives internally before they can begin
 - iv. Even medium-sized to larger communities could use the seed money
 - v. Utilities may not be set up in the eastern side of the state
 - Those volunteering to be a part of the Work Group
 - i. Rick Blair of Sedro Woolley
 - ii. Nancy Aldrich of City of Richland
 - iii. Don Gatchalian of Association of WA Counties, Yakima County
 - iv. John Dorhmann of Puget Sound Water Quality Action Team
 - v. Anyone else with whom we should consult?
 - vi. Jeff/Stephen suggest sending this to the FAC members absent today – take comments
 - Dan suggested having the first Work Group meeting the first week of February
 - i. Dan will send an e-mail regarding potential dates/times - please “reply all” as to your availability
 - ii. Dave suggested conference call for first work group meeting, as it is a priority
 - iii. Dave also clarified that this money is more for program development than facilities
9. Schedule Meetings for 2005
 - Unforeseen meetings now on the same dates as those already scheduled for 2005 FAC Meetings
 - Moving April 6 meeting to May 4, keeping July 6 meeting, and moving October 5 meeting to November 2
10. Review Meeting, Confirm Future Topics and Next Date, Adjourn
 - Interest rate information/recommendations - Design/build recommendations
 - Small group report on how to move forward on the \$5 mil. grant
 - Clearer idea on budget – more final Draft List (maybe?) – depends on budget passed by Leg.

- Report on the JLARC process (Dave brought back from his earlier meeting/continuing goals)
 - i. Minimum threshold evaluation determination - a.k.a. minimum point total
 - ii. Outcome funding strategy updates (what are the environmental outcomes of projects?)
 - iii. How do we assess the “bigger picture” progress we’ve made through utilization of these funds?
 - iv. Coordinating projects at the funding stages
- DOH on-site rules under review (per John Daly, who is sitting in for Selden Hall of DOH)
- Our next meeting will be May 4, 2005 – at the Lacey Community Center (directions will be included in the agenda/meeting notice to be sent two weeks prior to the meeting).

2005 Scheduled FAC Meetings:
January 5, 2005 – Ecology (<i>ROA-32</i>)
May 4, 2005 – Lacey Community Center
July 6, 2005 – Ecology (<i>ROA-32</i>)
November 2, 2005 – Ecology (<i>ROA-36</i>)